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STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

October 27, 2006

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

Hawaii

Consent to Sale of Leasehold by Agreement of Sale for General Lease No. S-3875, Kanoelehua Industrial Lots, Waiakea, South Hilo, Hawaii, Tax Map Key: 3<sup>rd</sup>/2-2-50:93.

SALE OF LEASEHOLD BY AGREEMENT OF SALE:

Paradise Auction, Ltd., as Seller, to Alternative Energy Marketing, Inc., a Hawaii corporation whose business and mailing address is 50 Maile Street, suite A33, Hilo, Hawaii 96720, as Buyer.

LOCATION:

Portion of Government lands of Kanoelehua Industrial Lots situated at Waiakea, South Hilo, Hawaii, identified by Tax Map Key: 3<sup>rd</sup>/2-2-50:93, as shown on the attached map labeled Exhibit A.

AREA:

.689 acres, more or less.

TRUST LAND STATUS:

Section 5(b) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: NO

CHARACTER OF USE:

Industrial purposes.

TERM OF LEASE:

55 years, commencing on August 12, 1966 and expiring on August 11, 2021. Last rental reopening occurred on August 12, 2006; next rental reopening is scheduled for August 12, 2016.

ANNUAL RENTAL:

\$26,400.00 payable in quarterly amounts of \$6,600.00.

REMARKS:

Under the provisions of the special disaster legislation (Act 32, Session Laws of Hawaii 1962), the Department of Land and Natural Resources was authorized to enter into direct negotiation, the lease of public lands to victims of natural disasters. General Lease No. S-3875 was issued to Harold Sadao Tanouye (for himself) and Harold Sadao Tanouye as Trustee for Harold Tadashi Tanouye, Raymond Hideo Tanouye, and Kenneth Susumu Tanouye, dba Ranch Bruno. This lease without the option to purchase was approved by the Board at its meeting of August 12, 1966 under agenda item F-12.

At its meeting of July 7, 1967 under agenda item F-1, the Board consent to the assignment of lease from Harold Sadao Tanouye (for himself) and Harold Sadao Tanouye as Trustee for Harold Tadashi Tanouye, Raymond Hideo Tanouye, and Kenneth Susumu Tanouye, dba Ranch Bruno, as Assignor to Feed-Well, Inc. as Assignee.

Further at its meeting of September 9, 1988, agenda item F-1-g, the Board consented to the assignment of lease from Feed-Well, Inc. as Assignor to Laupahoehoe Transportation Company, Inc., as Assignee.

Again at its meeting of April 11, 1997, under agenda item D13 the Board consented to the assignment of lease from Laupahoehoe Transportation Company, Inc. to Paradise Auction, Ltd., the current Lessee.

The Buyer, Alternative Energy Marketing, Inc., plan to utilize the property for the assembly and distribution of solar panels and solar heating units. They anticipate minimal alterations to the existing structure and plan to make use of the entire property.

The financing of the acquisition will be by way of an agreement of sale between the Assignor and Assignee. The purchase price is \$275,000.00 with a breakdown as follows; \$5,000.00 was put into an escrow account and an additional \$45,000.00 will be added upon the closing of escrow. Then, interest only payments at 7% (simple interest) on the balance of \$225,000.00 will be paid for a period of twenty-four (24) months. The final payment of \$225,000.00 will be paid on the twenty-fifth (25<sup>th</sup>) month.

The Lessee is compliant with the terms and conditions of the lease with regards to rent, property and liability insurance and performance bond. The Assignee has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

The last rental reopening occurred in August 2006. The next reopening is scheduled for August 2016. There are no outstanding rental reopening issues at this time.

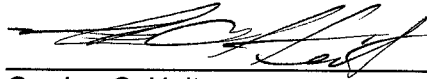
Staff is recommending that the Board consent to the Sale of Leasehold by Agreement of Sale of General Lease S-3875 from Paradise Auction, Ltd. as Seller to Alternative Energy Marketing, Inc., as Buyer.

RECOMMENDATION:

That the Board consent to the Agreement of Sale of General Lease No. S-3875 from Paradise Auction, Ltd., as Seller, to Alternative Energy Marketing, Inc., as Buyer, subject to the following:

1. The standard terms and conditions of the most current consent to assignment form, as may be amended from time to time;
2. All obligations, to include but not limited to lease rental owed the State, real property taxes owed the County of Hawaii, insurance requirements, utility charges, etc. shall continue to be the responsibility of the current Lessee, Paradise Auction, Ltd. until such time that the terms and conditions of the Agreement of Sale have been fulfilled;
3. Review and approval by the Department of the Attorney General; and
4. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

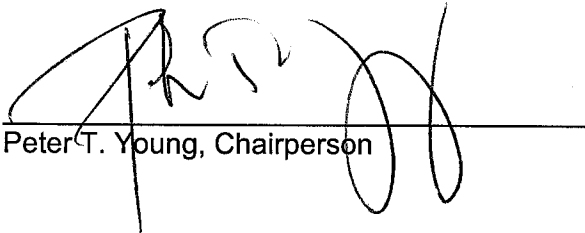
Respectfully Submitted,



Gordon C. Heit  
Land Agent



APPROVED FOR SUBMITTAL:



Peter T. Young, Chairperson

**TMK: 3<sup>RD</sup>/2-2-50:93**

